

AMENDED IN SENATE MARCH 18, 2010

AMENDED IN SENATE SEPTEMBER 4, 2009

CALIFORNIA LEGISLATURE—2009—10 REGULAR SESSION

ASSEMBLY BILL

No. 186

Introduced by Committee on Budget (Evans (Chair), Arambula, Beall, Blumenfield, Brownley, Caballero, Carter, De La Torre, Feuer, Hill, Huffman, Monning, Ruskin, and Swanson)

February 2, 2009

An act to repeal and add Sections 12472.5 and 13302 of, and to repeal, add, and repeal Section 22864.1 of, the Government Code, relating to state employees. An act to add Section 41204.2 to the Education Code, and to amend Sections 6480.1, 7360, and 60050 of, and to add Sections 6051.8, 6201.8, 6357.3, 6357.7, 7361.1, and 7653.1 to, the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

AB 186, as amended, Committee on Budget. ~~State employees: payroll: health care. Sales and use taxes: motor vehicle fuel tax: diesel fuel tax.~~

(1) Existing law requires the Director of Finance to make certain adjustments in one of the formulas used in computing the state's obligation under the California Constitution to provide funding for school districts and community college districts so as to ensure that the modifications in property tax revenue allocation requirements that were made by prior enactments do not have a net fiscal impact on school districts or community college districts, or upon the state's funding obligation to those districts.

This bill would additionally specify adjustments on the calculation of the state's constitutional funding obligations that are related to the change in taxes made by this bill.

(2) The Sales and Use Tax Law imposes a tax on retailers measured by the gross receipts from the sale of tangible personal property sold at retail in this state, or on the storage, use, or other consumption in this state of tangible personal property purchased from a retailer for storage, use, or other consumption in this state. Tangible personal property includes motor vehicle fuel, commonly referred to as gasoline, and including aviation gasoline. Existing law, pursuant to Article XIXB of the California Constitution, requires a portion of the revenues from the sales and use tax on the sale of, and the storage, use, or other consumption of, motor vehicle fuel to be deposited in the Transportation Investment Fund to be used for specified highway, local street and road, and mass transportation purposes.

The Sales and Use Tax Law requires a collection of prepayment of retail sales tax at the time that motor vehicle fuel tax or diesel fuel tax is imposed, and on each subsequent sale other than the retail sale. This law requires the State Board of Equalization to establish the prepayment rate based on 80% of the combined state and local sales tax rate, as prescribed. This law authorizes the board to readjust the rate if the price of fuel decreases or increases and the established rate results in prepayments which consistently exceed or are significantly lower than the retailer's sales tax liability.

This bill would, on and after July 1, 2010, exempt from those taxes the gross receipts from the sale of, and the storage, use, or other consumption in this state of, motor vehicle fuel thereby eliminating funding from this revenue source for those transportation programs. This exemption would not apply to local sales and use taxes imposed under the Bradley-Burns Uniform Local Sales and Use Tax Law or transactions and use taxes imposed in accordance with the Transactions and Use Tax Law, and specified state sales and use taxes.

This bill, on or after July 1, 2011, would impose an additional 1.75% tax on the sale of, and the storage, use, or other consumption in this state of, diesel fuel, with specified exemptions.

This bill would also authorize the State Board of Equalization to readjust the prepayment rate if an exemption from sales tax for sales of fuel, as specified, is enacted and the established rate results in or could result in prepayments which consistently exceed or are significantly lower than the retailers' sales tax liability.

(3) *The Motor Vehicle Fuel Tax Law and the Diesel Fuel Tax Law each impose a tax at the rate of \$0.18 per gallon on the removal, entry, sale, delivery, or specified use of motor vehicle fuel, which is commonly referred to as gasoline, including aviation gasoline, and diesel fuel, respectively, and the Motor Vehicle Fuel Tax Law also imposes a tax at the rate of \$0.02 per gallon of aircraft jet fuel sold to a fuel user or used by a dealer. Article XIX of the California Constitution requires state-imposed excise tax revenues from fuel used in motor vehicles upon public streets and highways to be used solely for highway and mass transit guideway purposes.*

This bill would increase the rate of tax on motor vehicle fuel, other than aviation gasoline, by an additional \$0.173 per gallon on and after July 1, 2010, as specified. The bill would impose a floor stock tax equal to \$0.173 per gallon for the privilege of storing motor vehicle fuel, other than aviation gasoline, on July 1, 2010. Beginning with the 2011–12 fiscal year, and each fiscal year thereafter, the bill would require the State Board of Equalization to annually adjust that fuel tax rate consistent with the requirement that the estimated revenues from that tax increase shall not exceed the estimated revenues attributable to the exemption from sales and use tax for the sale of, or the storage, use, or other consumption of, motor vehicle fuel, other than aviation gasoline, as provided. This bill would clarify that the rate changes to achieve revenue neutrality would be effective for the next fiscal year.

This bill would, on July 1, 2011, reduce the rate of tax on diesel fuel from \$0.18 per gallon to \$0.136 per gallon, subject to adjustment, as specified.

(4) This bill would take effect immediately as a tax levy.

~~(1) Existing law requires that, on and after January 1, 2010, payments to employees made through the Uniform State Payroll System for a pay period ending on June 30 of each year shall be on or after July 1, provided that employees, in any event, be paid promptly.~~

~~This bill would require that, on and after January 1, 2010, payments to employees made through the Uniform State Payroll System for a master payroll paid on June 30 of each year shall be issue dated on July 1.~~

~~(2) Existing law requires the Department of Finance to install and supervise an accounting system for state agencies. Existing law requires, in regard to this system, that the payments to employees made in July through the Uniform State Payroll System for services rendered prior~~

to July 1 of each year are to be considered payables incurred in the fiscal year in which the warrant is issued.

This bill would provide that payments to employees made through the Uniform State Payroll System, as specified, with an issue date each year of July 1 shall be considered payables incurred in the fiscal year in which the payment is issue dated.

(3) Existing law authorizes the Board of Administration of the Public Employees' Retirement System to use reserves generated by one or more self-funded health benefit plans to reduce the premiums charged for enrollment in one or more separate self-funded health benefit plans offered by the board, as specified.

This bill would make technical changes to that authorization.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 41204.2 is added to the Education Code,
2 to read:

3 41204.2. The Director of Finance shall adjust “the percentage
4 of General Fund revenues appropriated for school districts and
5 community college districts, respectively, in fiscal year 1986–87”
6 for purposes of applying paragraph (1) of subdivision (b) of Section
7 8 of Article XVI of the California Constitution in a manner that
8 ensures that the shift in General Fund revenues pursuant to
9 Sections 6051.8, 6201.8, 6357.3, 6357.7, and 7361.1, subdivision
10 (b) of Section 7360, and subdivision (b) of Section 60050 of the
11 Revenue and Taxation Code, as those provisions were enacted in
12 the 2009–10 Eighth Extraordinary Session, shall have no net fiscal
13 impact upon the amounts that are otherwise required to be applied
14 by the state for the support of school districts and community
15 college districts pursuant to Section 8 of Article XVI of the
16 California Constitution.

17 SEC. 2. Section 6051.8 is added to the Revenue and Taxation
18 Code, to read:

19 6051.8. (a) Except as provided in Section 6357.3, in addition
20 to the taxes imposed by this part, for the privilege of selling
21 tangible personal property at retail a tax is hereby imposed upon
22 all retailers at the rate of 1.75 percent of the gross receipts of any
23 retailer from the sale of all diesel fuel, as defined in Section 60022,

1 *sold at retail in this state on and after the operative date of this*
2 *subdivision.*

3 *(b) Subdivision (a) shall become operative on July 1, 2011.*

4 *SEC. 3. Section 6201.8 is added to the Revenue and Taxation*
5 *Code, to read:*

6 *6201.8. (a) Except as provided in Section 6357.3, in addition*
7 *to the taxes imposed by this part, an excise tax is hereby imposed*
8 *on the storage, use, or other consumption in the state of diesel*
9 *fuel, as defined in Section 60022, at the rate of 1.75 percent of the*
10 *sales price of the diesel fuel on and after the operative date of this*
11 *subdivision.*

12 *(b) Subdivision (a) shall become operative on July 1, 2011.*

13 *SEC. 4. Section 6357.3 is added to the Revenue and Taxation*
14 *Code, to read:*

15 *6357.3. (a) On and after July 1, 2011, there are exempted*
16 *from the taxes imposed by Sections 6051.8 and 6201.8, the gross*
17 *receipts from the sale in this state of, and the storage, use, or other*
18 *consumption in this state of both of the following:*

19 *(1) Diesel fuel purchased for use or used in a manner that is*
20 *exempt from the tax imposed pursuant to Part 31 (commencing*
21 *with Section 60001) of Division 2 and not subject to the backup*
22 *tax imposed by Section 60058 or the payment requirement specified*
23 *in Section 60108.*

24 *(2) Diesel fuel subject to the payment requirement specified in*
25 *Section 60502.2.*

26 *(b) No exemption from the tax imposed pursuant to Sections*
27 *6051.8 and 6201.8 shall be allowed under this section unless the*
28 *purchaser furnishes the seller with an exemption certificate,*
29 *completed in accordance with any instructions or regulations as*
30 *the board may prescribe.*

31 *(c) If a purchaser certifies in writing to the seller that the diesel*
32 *fuel purchased without payment of the tax imposed pursuant to*
33 *Sections 6051.8 or 6201.8 will be used in a manner entitling the*
34 *seller to regard the gross receipts or sales price from the sale as*
35 *exempt from that tax, and uses the diesel fuel in a manner that*
36 *subjects the diesel fuel to the tax imposed pursuant to Section*
37 *60050, the purchaser shall be liable for payment of the sales tax*
38 *imposed pursuant to Section 6051.8, with applicable interest, as*
39 *if the purchaser were a retailer making a retail sale of the diesel*
40 *fuel at the time the fuel is so used, and the sales price of the diesel*

1 *fuel to the purchaser shall be deemed the gross receipts from that*
2 *retail sale.*

3 *SEC. 5. Section 6357.7 is added to the Revenue and Taxation*
4 *Code, to read:*

5 *6357.7. (a) On and after July 1, 2010, there are exempted*
6 *from the taxes imposed by this part, the gross receipts from the*
7 *sale in this state of, and the storage, use, or other consumption in*
8 *this state of, motor vehicle fuel, as defined in Section 7326.*

9 *(b) (1) Notwithstanding any provision of the Bradley-Burns*
10 *Uniform Local Sales and Use Tax Law (Part 1.5 (commencing*
11 *with Section 7200)) or the Transactions and Use Tax Law (Part*
12 *1.6 (commencing with Section 7251)), the exemption established*
13 *by this section shall not apply with respect to any tax levied by a*
14 *county, city, or district pursuant to, or in accordance with, either*
15 *of those laws.*

16 *(2) The exemption established by this section shall not apply*
17 *with respect to any tax levied pursuant to Section 6051.2, 6051.5,*
18 *6201.2, or 6201.5, or pursuant to Section 35 of Article XIII of the*
19 *California Constitution.*

20 *(c) On and after July 1, 2010, the State Board of Equalization*
21 *and the Department of Finance shall recognize that the state no*
22 *longer receives state sales and use tax revenues from the sale of,*
23 *and the storage, use, or other consumption of, motor vehicle fuel*
24 *for purposes of any estimates required to be performed under*
25 *paragraphs (1) and (2) of subdivision (a) of Section 7102, and*
26 *Section 7104.2.*

27 *SEC. 6. Section 6480.1 of the Revenue and Taxation Code is*
28 *amended to read:*

29 *6480.1. (a) At any time that motor vehicle fuel tax or diesel*
30 *fuel tax is imposed or would be imposed, but for the dyed diesel*
31 *fuel exemption in paragraph (1) of subdivision (a) of Section*
32 *60100, or the train operator exemption in paragraph (7) of*
33 *subdivision (a) of Section 60100 or paragraph (11) of subdivision*
34 *(a) of Section 7401, or, pursuant to subdivision (f) of Section 6480,*
35 *would be deemed to be imposed, on any removal, entry, or sale in*
36 *this state of motor vehicle fuel, aircraft jet fuel, or diesel fuel, the*
37 *supplier shall collect prepayment of retail sales tax from the person*
38 *to whom the motor vehicle fuel, aircraft jet fuel, or diesel fuel is*
39 *sold. However, if no sale occurs at the time of imposition of motor*
40 *vehicle fuel tax or diesel fuel tax, the supplier shall prepay the*

1 retail sales tax on that motor vehicle fuel, aircraft jet fuel, or diesel
2 fuel. The prepayment required to be collected by the supplier
3 constitutes a debt owed by the supplier to this state until paid to
4 the board, until satisfactory proof has been submitted to prove that
5 the retailer of the fuel has paid the retail sales tax to the board, or
6 until a supplier or wholesaler who has consumed the fuel has paid
7 the use tax to the board. Each supplier shall report and pay the
8 prepayment amounts to the board, in a form as prescribed by the
9 board, in the period in which the fuel is sold. On each subsequent
10 sale of that fuel, each seller, other than the retailer, shall collect
11 from his or her purchaser a prepayment computed using the rate
12 applicable at the time of sale. Each supplier shall provide his or
13 her purchaser with an invoice for, or other evidence of, the
14 collection of the prepayment amounts which shall be separately
15 stated thereon.

16 (b) (1) A wholesaler shall collect prepayment of the retail sales
17 tax from the person to whom the motor vehicle fuel, aircraft jet
18 fuel, or diesel fuel is sold. Each wholesaler shall provide his or
19 her purchaser with an invoice for or other evidence of the collection
20 of the prepayment amounts, which shall be separately stated
21 thereon.

22 (2) Each wholesaler shall report to the board, in a form as
23 prescribed by the board and for the period in which the motor
24 vehicle fuel, aircraft jet fuel, or diesel fuel was sold, all of the
25 following:

26 (A) The number of gallons of fuel sold and the amount of sales
27 tax prepayments collected by the wholesaler.

28 (B) The number of tax-paid gallons purchased and the amount
29 of sales tax prepayments made by the wholesaler.

30 (C) In the event that the amount of sales tax prepayments
31 collected by the wholesaler is greater than the amount of sales tax
32 prepayments made by the wholesaler, then the excess constitutes
33 a debt owed by the wholesaler to the state until paid to the board,
34 or until satisfactory proof has been submitted that the retailer of
35 the fuel has paid the tax to the board.

36 (c) A supplier or wholesaler who pays the prepayment and issues
37 a resale certificate to the seller, but subsequently consumes the
38 motor vehicle fuel, aircraft jet fuel, or diesel fuel, shall be entitled
39 to a credit against his or her sales and use taxes due and payable
40 for the period in which the prepayment was made, provided that

1 he or she reports and pays the use tax to the board on the
2 consumption of that fuel.

3 (d) The amount of a prepayment paid by the retailer or a supplier
4 or wholesaler who has consumed the motor vehicle fuel, aircraft
5 jet fuel, or diesel fuel to the seller from whom he or she acquired
6 the fuel shall constitute a credit against his or her sales and use
7 taxes due and payable for the period in which the sale was made.
8 Failure of the supplier or wholesaler to report prepayments or the
9 supplier's or wholesaler's failure to comply with any other duty
10 under this article shall not constitute grounds for denial of the
11 credit to the retailer, supplier, or wholesaler, either on a temporary
12 or permanent basis or otherwise. To be entitled to the credit, the
13 retailer, supplier, or wholesaler shall retain for inspection by the
14 board any receipts, invoices, or other documents showing the
15 amount of sales tax prepaid to his or her supplier, together with
16 the evidence of payment.

17 (e) The rate of the prepayment required to be collected during
18 the period from July 1, 1986, through March 31, 1987, shall be
19 four cents (\$0.04) per gallon of motor vehicle fuel distributed or
20 transferred.

21 (f) On April 1 of each succeeding year, the prepayment rate per
22 gallon for motor vehicle fuel, rounded to the nearest one-half of
23 one cent (\$0.005), of the required prepayment shall be established
24 by the board based upon 80 percent of the combined state and local
25 sales tax rate established by Sections 6051, 6051.2, 6051.3, 6051.5,
26 7202, and 7203.1, and Section 35 of Article XIII of the California
27 Constitution on the arithmetic average selling price (excluding
28 sales tax) as determined by the State Energy Resources
29 Conservation and Development Commission, in its latest
30 publication of the "Quarterly Oil Report," of all grades of gasoline
31 sold through a self-service gasoline station. In the event the
32 "Quarterly Oil Report" is delayed or discontinued, the board may
33 base its determination on other sources of the arithmetic average
34 selling price of gasoline. The board shall make its determination
35 of the rate no later than November 1 of the year prior to the
36 effective date of the new rate. Immediately upon making its
37 determination and setting of the rate, the board shall each year, no
38 later than January 1, notify by mail every supplier, wholesaler,
39 and retailer of motor vehicle fuel. In the event the price of fuel
40 decreases or increases *or an exemption from sales tax for sales of*

fuel is enacted, and the established rate results in *or could result* in prepayments which consistently exceed or are significantly lower than the retailers' sales tax liability, the board may readjust the rate.

(g) On April 1 of each succeeding year, the prepayment rate per gallon for aircraft jet fuel, rounded to the nearest one-half of one cent (\$0.005), shall be established by the board based upon 80 percent of the combined state and local sales tax rate established by Sections 6051, 6051.2, 6051.3, 6051.5, 7202, and 7203.1, and Section 35 of Article XIII of the California Constitution on the arithmetic average selling price (excluding sales and state excise tax) as determined by the board. The board shall make its determination of the rate no later than November 1 of the year prior to the effective date of the new rate. The rate of the prepayment required to be collected for aircraft jet fuel shall be equal to 80 percent of the arithmetic average selling price of aircraft jet fuel as specified by industry publications. Immediately upon making its determination and setting of the rate, the board shall each year, no later than January 1, notify by mail every supplier, wholesaler, and retailer of aircraft jet fuel. In the event the price of aircraft jet fuel decreases or increases, and the established rate results in prepayments that consistently exceed or are significantly lower than the retailers' sales tax liability, the board may readjust the rate.

(h) On April 1 of each succeeding year, the prepayment rate per gallon for diesel fuel, rounded to the nearest one-half of one cent (\$0.005), shall be established by the board based upon 80 percent of the combined state and local sales tax rate established by Sections 6051, 6051.2, 6051.3, 6051.5, 7202, and 7203.1, and Section 35 of Article XIII of the California Constitution on the arithmetic average selling price (excluding sales and state excise tax) as determined by the board. The board shall make its determination of the rate no later than November 1 of the year prior to the effective date of the new rate. The rate of the prepayment required to be collected for diesel fuel shall be equal to 80 percent of the arithmetic average selling price of diesel fuel as specified by industry publications. Immediately upon making its determination and setting of the rate, the board shall each year, no later than January 1, notify by mail every supplier, wholesaler, and retailer of diesel fuel. In the event the *rate of sales tax imposed*

1 *on sales of diesel fuel increases or decreases or the price of diesel*
2 *fuel decreases or increases, and the established rate results in or*
3 *could result in* prepayments that consistently exceed or are
4 significantly lower than the retailers' sales tax liability, the board
5 may readjust the rate.

6 (i) (1) Notwithstanding any other provision of this section,
7 motor vehicle fuel sold by a supplier or wholesaler to a qualified
8 purchaser who, pursuant to a contract with the State of California
9 or its instrumentalities, resells that fuel to the State of California
10 or its instrumentalities shall be exempt from the prepayment
11 requirements.

12 (2) A qualified purchaser who acquires motor vehicle fuel for
13 subsequent resale to the State of California or its instrumentalities
14 pursuant to this subdivision shall furnish to the supplier or
15 wholesaler from whom the fuel is acquired an exemption
16 certificate, completed in accordance with any instructions or
17 regulations as the board may prescribe. The supplier or wholesaler
18 shall retain the certificate in his or her records in support of the
19 exemption. To qualify for the prepayment exemption, both of the
20 following conditions shall apply:

21 (A) The qualified purchaser does not take possession of the fuel
22 at any time.

23 (B) The fuel is delivered into storage tanks owned or leased by
24 the State of California or its instrumentalities via facilities of the
25 supplier or wholesaler, or by common or contract carriers under
26 contract with the supplier or wholesaler.

27 (3) For purposes of this subdivision, "qualified purchaser" means
28 a wholesaler who does not have or maintain a storage facility or
29 facilities for the purpose of selling motor vehicle fuel.

30 *SEC. 7. Section 7360 of the Revenue and Taxation Code is*
31 *amended to read:*

32 7360. (a) (1) A tax of eighteen cents (\$0.18) is hereby imposed
33 upon each gallon of fuel subject to the tax in Sections 7362, 7363,
34 and 7364.

35 ~~(b)~~

36 (2) If the federal fuel tax is reduced below the rate of nine cents
37 (\$0.09) per gallon and federal financial allocations to this state for
38 highway and exclusive public mass transit guideway purposes are
39 reduced or eliminated correspondingly, the tax rate imposed by
40 ~~this section, paragraph (1),~~ on and after the date of the reduction,

shall be recalculated by an amount so that the combined state *rate under paragraph (1) and the federal tax rate per gallon equals equal* twenty-seven cents (\$0.27).

(e)

(3) If any person or entity is exempt or partially exempt from the federal fuel tax at the time of a reduction, the person or entity shall continue to be so exempt under this section.

(b) (1) *On and after July 1, 2010, in addition to the tax imposed by subdivision (a), a tax is hereby imposed upon each gallon of motor vehicle fuel, other than aviation gasoline, subject to the tax in Sections 7362, 7363, and 7364 in an amount equal to seventeen and three-tenths cents (\$0.173) per gallon.*

(2) *For the 2011–12 fiscal year and each fiscal year thereafter, the board shall, on or before March 1 of the fiscal year immediately preceding the applicable fiscal year, adjust the rate in paragraph (1) in that manner as to generate an amount of revenue that will equal the amount of revenue loss attributable to the exemption provided by Section 6357.7, based on estimates made by the board, and that rate shall be effective during the state’s next fiscal year.*

(3) *In order to maintain revenue neutrality for each year, beginning with the rate adjustment on or before March 1, 2012, the adjustment under paragraph (2) shall also take into account the extent to which the actual amount of revenues derived pursuant to this subdivision and, as applicable, Section 7361.1, the revenue loss attributable to the exemption provided by Section 6357.7 resulted in a net revenue gain or loss for the fiscal year ending prior to the rate adjustment date on or before March 1.*

(4) *The intent of paragraphs (2) and (3) is to ensure that the act adding this subdivision and Section 6357.7 does not produce a net revenue gain in state taxes.*

SEC. 8. *Section 7361.1 is added to the Revenue and Taxation Code, to read:*

7361.1. (a) *For the privilege of storing for the purpose of sale, each supplier, wholesaler, and retailer owning 1,000 or more gallons of tax-paid motor vehicle fuel, other than aviation gasoline, on July 1, 2010, shall pay a storage tax of seventeen and three-tenths cents (\$0.173) per gallon of tax-paid motor vehicle fuel, other than aviation gasoline, in storage according to the volumetric measure thereof.*

(b) *For purposes of this section:*

1 (1) "Owning" means having title to the motor vehicle fuel, other
2 than aviation gasoline.

3 (2) "Retailer" means any person who sells motor vehicle fuel,
4 other than aviation gasoline, in this state to a person who
5 subsequently uses the motor vehicle fuel, other than aviation
6 gasoline.

7 (3) "Storing" includes the ownership or possession of tax-paid
8 motor vehicle fuel, other than aviation gasoline, outside of the
9 bulk transfer/terminal system, including the holding of tax-paid
10 motor vehicle fuel, other than aviation gasoline, for sale at
11 wholesale or retail locations stored in a container of any kind,
12 including railroad tank cars and trucks or trailer cargo tanks.
13 "Storing" also includes tax-paid motor vehicle fuel, other than
14 aviation gasoline, purchased from and invoiced by the seller, and
15 tax-paid motor vehicle fuel, other than aviation gasoline, removed
16 from a terminal or entered into by a supplier, prior to the date
17 specified in subdivision (a) and in transit on that date.

18 (4) "Wholesaler" means any person who sells motor vehicle
19 fuel, other than aviation gasoline, in this state for resale to a
20 retailer or to a person who is not a retailer and subsequently uses
21 the motor vehicle fuel, other than aviation gasoline.

22 SEC. 9. Section 7653.1 is added to the Revenue and Taxation
23 Code, to read:

24 7653.1. On or before August 31, 2010, each person subject to
25 the storage tax imposed under Section 7361.1 shall prepare and
26 file with the board, in a form prescribed by the board, a return
27 showing the total number of gallons of tax-paid motor vehicle fuel,
28 other than aviation gasoline, owned by the person on July 1, 2010,
29 the amount of the storage tax, and any other information that the
30 board deems necessary for the proper administration of this part.
31 The return shall be accompanied by a remittance payable to the
32 Controller in the amount of tax due.

33 SEC. 10. Section 60050 of the Revenue and Taxation Code is
34 amended to read:

35 60050. (a) (1) A tax of eighteen cents (\$0.18) is hereby
36 imposed upon each gallon of diesel fuel subject to the tax in
37 Sections 60051, 60052, and 60058.

38 ~~(b)~~

39 (2) If the federal fuel tax is reduced below the rate of fifteen
40 cents (\$0.15) per gallon and federal financial allocations to this

state for highway and exclusive public mass transit guideway purposes are reduced or eliminated correspondingly, the tax rate imposed by ~~this section~~, *paragraph (1), including any reduction or adjustment pursuant to subdivision (b)*, on and after the date of the reduction, shall be increased by an amount so that the combined state rate under *paragraph (1)* and the federal tax rate per gallon equals ~~thirty-three cents (\$0.33)~~ *equal what it would have been in the absence of the federal reduction.*

(e)

(3) If any person or entity is exempt or partially exempt from the federal fuel tax at the time of a reduction, the person or entity shall continue to be exempt under this section.

(b) (1) *On July 1, 2011, the tax rate specified in paragraph (1) of subdivision (a) shall be reduced to thirteen and six-tenths cents (\$0.136) and every July 1 thereafter shall be adjusted pursuant to paragraphs (2) and (3).*

(2) *For the 2012–13 fiscal year and each fiscal year thereafter, the board shall, on or before March 1 of the fiscal year immediately preceding the applicable fiscal year, adjust the rate reduction in paragraph (1) in that manner as to result in a revenue loss attributable to paragraph (1) that will equal the amount of revenue gain attributable to Sections 6051.8 and 6201.8, based on estimates made by the board, and that rate shall be effective during the state’s next fiscal year.*

(3) *In order to maintain revenue neutrality for each year, beginning with the rate adjustment on or before March 1, 2013, the adjustment under paragraph (2) shall take into account the extent to which the actual amount of revenues derived pursuant to Sections 6051.8 and 6201.8 and the revenue loss attributable to this subdivision resulted in a net revenue gain or loss for the fiscal year ending prior to the rate adjustment date on or before March 1.*

(4) *The intent of paragraphs (2) and (3) is to ensure that the act adding this subdivision and Sections 6051.8 and 6201.8 does not produce a net revenue gain in state taxes.*

SEC. 11. *This act provides for a tax levy within the meaning of Article IV of the Constitution and shall go into immediate effect.*

~~SECTION 1. Section 12472.5 of the Government Code is repealed.~~

1 ~~SEC. 2. Section 12472.5 is added to the Government Code, to~~
2 ~~read:~~

3 ~~12472.5. Notwithstanding any other law, on and after January~~
4 ~~1, 2010, payments to employees made through the Uniform State~~
5 ~~Payroll System for master payroll paid on June 30 of each year~~
6 ~~shall be issue dated on July 1, provided that employees shall, in~~
7 ~~any event, be paid promptly.~~

8 ~~SEC. 3. Section 13302 of the Government Code is repealed.~~

9 ~~SEC. 4. Section 13302 is added to the Government Code, to~~
10 ~~read:~~

11 ~~13302. The accounting system devised as provided in Section~~
12 ~~13300 shall provide, with respect to the General Fund and other~~
13 ~~governmental funds, for all of the following:~~

14 ~~(a) The accrual of expenditures as of the end of each fiscal year~~
15 ~~on the basis of payables incurred, excluding accrued interest on~~
16 ~~general obligation bonded indebtedness.~~

17 ~~(b) (1) The accrual of revenues at the end of the fiscal year if~~
18 ~~the underlying transaction has occurred as of the last day of the~~
19 ~~fiscal year, the amount is measurable, and the actual collection~~
20 ~~will occur either during the current period or after the end of the~~
21 ~~current period but in time to pay current year-end liabilities.~~

22 ~~(2) Cash in agency trust accounts within the centralized State~~
23 ~~Treasury system that is in transit to the State Treasury, accrued~~
24 ~~interest receivable, and accounts receivable shall be accrued as of~~
25 ~~the end of each fiscal year.~~

26 ~~(c) For the purposes of financial reporting, all of the following~~
27 ~~shall apply:~~

28 ~~(1) A payable exists when goods or services have been delivered~~
29 ~~and the state is required to pay for those goods or services, and an~~
30 ~~encumbrance exists when a valid obligation against an~~
31 ~~appropriation has been created.~~

32 ~~(2) All funds appropriated shall be identified as either expended,~~
33 ~~payable, encumbered (exclusive of payables), or unencumbered,~~
34 ~~as further defined by the California Fiscal Advisory Board, and~~
35 ~~the total of these shall equal the total appropriation.~~

36 ~~(d) (1) Notwithstanding any other law, and except as provided~~
37 ~~in paragraph (2), payments to employees made through the Uniform~~
38 ~~State Payroll System as described in Section 12472.5 with an issue~~
39 ~~date each year of July 1 shall be considered payables incurred in~~
40 ~~the fiscal year in which the payment is issue dated.~~

1 ~~(2) Notwithstanding paragraph (1), for purposes of calculating~~
2 ~~maintenance of effort expenditures under Section 8 of Article XVI~~
3 ~~of the California Constitution, or for purposes of calculating funds~~
4 ~~used by a program during the fiscal year, payments made on July~~
5 ~~1 may be counted towards the prior fiscal year.~~

6 ~~SEC. 5. Section 22864.1 of the Government Code is repealed.~~

7 ~~SEC. 6. Section 22864.1 is added to the Government Code, to~~
8 ~~read:~~

9 ~~22864.1. (a) This part does not limit the board's authority to~~
10 ~~use reserves generated by one or more self-funded benefit plans~~
11 ~~to reduce or otherwise pay the premiums charged for enrollment~~
12 ~~in one or more separate self-funded health benefit plans that are~~
13 ~~offered by the board.~~

14 ~~(b) This section shall remain in effect only until June 30, 2010,~~
15 ~~and as of that date is repealed, unless a later enacted statute, that~~
16 ~~is enacted before June 30, 2010, deletes or extends that date.~~